

Message Text

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TAGS: ECON, ELAB, SN, JA

SUBJECT: MARKET CONDITIONS FOR SEMI-CONDUCTORS: JAPAN

REF: SINGAPORE 3186

SUMMARY. LOCAL REPS. U.S. ELECTRONICS COS. STATE SOFTENING DEMAND FOR ELECTRONICS PRODUCTS AND EXCESS CAPACITY BROUGHT ABOUT BY HEAVY INVESTMENT IN PLANT EXPANSION IN RECENT YEARS ARE MAIN REASONS FOR CURRENT PRODUCTION CUTBACKS. END SUMMARY.

1. EMBASSY DISCUSSED QUESTIONS RAISED REFTEL WITH JAPAN REPS. NATIONAL SEMI-CONDUCTOR, TEXAS INSTRUMENTS, TDK-FAIRCHILD, AND ALPS-MOTOROLA. ALL EXPRESSED HIGH REGARD FOR QUALITY AND PRICE-COMPETITIVENESS SINGAPORE-PRODUCED ELECTRONICS AND STATED THEY VIEW PRODUCTION CUTBACK AS REFLECTION SOFTENING OF WORLD-WIDE DEMAND FOR CONSUMER ELECTRONICS WHICH THEY BELIEVE WILL BE FOLLOWED IN NEXT FEW MOS. BY SOFTENING OF DEMAND FOR COMPUTERS SHOULD ANTI-INFLATIONARY MEASURES CONTINUE IN MAJOR CONSUMING COUNTRIES.

2. TI IS ONLY U.S. CO. PRESENTLY MANUFACTURING SEMI-CONDUCTORS
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IN JAPAN AND DESCRIBES LOCAL PRODUCTION AS QTE VERY SMALL UNQTE.

TDK-FAIRCHILD JOINT-VENTURE EXPECTS TO BEGIN LOCAL PRODUCTION OCT. 1975. ALL FOUR COS. CONSIDER OWN FIRM'S PRODUCTION AND IMPORT STATISTICS PROPRIETARY AND STRESS THAT U.S. HEADQUARTERS MAKE THE DECISIONS RE PRODUCTION LEVELS AND WORLD-WIDE DIVISION OF LABOR. FREIGHT RATES AND TARIFFS AS WELL AS WAGES AND LABOR PRODUCTIVITY ARE IMPORTANT FACTORS DETERMINING COMPETITIVENESS THIS INDUSTRY.

3. U.S. COMPANY REPS. PREDICT 1974 PRODUCTION WILL SLIGHTLY EXCEED 1973 LEVEL, BUT RECENT HEAVY INVESTMENT IN NEW CAPACITY, WHICH TAKES 18 MOS. TO BUILD, HAS LEFT INDUSTRY WITH EXCESS CAPACITY NOW THAT DEMAND GROWTH RATE HAS SLUMPED. NATIONAL SEMI-CONDUCTOR REP. STATED HIS FIRM, WHICH IMPORTS SEMI-CONDUCTORS AND CALCULATORS FROM NS SINGAPORE, HAS BEEN SELLING POORLY IN JAPAN DUE TO LACK OF AGGRESSIVENESS OF LOCAL AGENT. HE HOPES RECENT SHAKE-UP NS SALES ORGANIZATION WILL ENABLE NS TO ENLARGE MARKET SHARE IN JAPAN. NS REP. SAID MALAYSIAN-PRODUCED NS PRODUCTS SHIPPED AND ORDERED VIA SINGAPORE AND HIS OFFICE RECORDS DO NOT DISTINGUISH BETWEEN SINGAPORE AND MALAYSIAN GOODS.

4. IMPORT SHARE JAPANESE SEMI-CONDUCTOR MARKET 6 PERCENT IN CY 1973 AND 8 PERCENT JAN.-APR. 1974. JAPANESE COS. HAVE OFF-SHORE SEMI-CONDUCTOR PLANTS IN KOREA (TOSHIBA, MITSUBISHI ELECTRIC), MALAYSIA (HITACHI, TOSHIBA, MATSUSHITA), TAIWAN (MITSUBISHI ELECTRIC), SINGAPORE (SANYO) AND MEXICO (TOSHIBA).

5. COMPARISON JAPANESE IMPORT STATISTICS JAN.-MAY 1973 AND 1974 SHOW LARGE FLUCTUATIONS AND INDICATE MANY ASIAN COUNTRIES NEW TO EXPORT THESE ITEMS (FIGURES REPRESENT NUMBER OF PIECES).

JAN-MAY 1973 JAN-MAY 1974

A) INTEGRATED CIRCUITS

S. KOREA	2.1 MILLION	3.2 MILLION
TAIWAN	11.1 MILLION	3.3 MILLION
HONG KONG	2.1 MILLION	1.2 MILLION
SINGAPORE	1.3 MILLION	0.7 MILLION

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B) SEMI-CONDUCTOR DEVICES

TAIWAN	5 THOUSAND	3.7 MILLION
HONG KONG	0	1.1 MILLION
SINGAPORE	0	101 THOUSAND
MALAYSIA	0	145 THOUSAND
BRUNEI	0	25 THOUSAND

C) DIGITAL INTEGRATED CIRCUITS

S. KOREA	0	672 THOUSAND
TAIWAN	0	23.1 MILLION
HONG KONG	0	4.1 MILLION
SINGAPORE	0	2.4 MILLION
MALAYSIA	0	63 THOUSAND

D) SILICON TRANSISTORS

S. KOREA	54.4 MILLION	108.7 MILLION
TAIWAN	0.2 MILLION	1.0 MILLION
HONG KONG	13.3 MILLION	11.6 MILLION
SINGAPORE	1.1 MILLION	1.3 MILLION

E) SILICON DIODES

S. KOREA	360 THOUSAND	140 THOUSAND
TAIWAN	2.4 MILLION	17.7 MILLION
HONG KONG	13.9 MILLION	16.5 MILLION
SINGAPORE	25 THOUSAND	0

6. LOCAL REPS. U.S. ELECTRONICS COS. ALL STATED BEST PICTURE
 RELATIVE COMPETITIVENESS ASIAN COUNTRIES CAN BE OBTAINED THROUGH
 U.S. HEAD OFFICES.
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